

MICRO ECONOMICS

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TOPICS: BASIC ECONOMIC PROBLEM,
CHOICE & SCARCITY, POSITIVE &

NORMATIVE ECONOMICS, METHODS OF
ANALYSIS, ECONOMIC MODELS,
EQUILIBRIUM SYSTEMS

I. THE CENTRAL ECONOMIC PROBLEM IS:

- A. Inflation
- B. Scarcity
- C. Growth
- D. Unemployment

Answer: B) Scarcity

2. WHAT ARE THE THREE BASIC ECONOMIC PROBLEMS?

- A. What, How, For whom
- B. Production, Distribution, Exchange
- C. Demand, Supply, Price
- D. Income, Saving, Investment

Answer: What, How, For whom

3. SCARCITY ARISES BECAUSE:

- A. Resources are limited
- B. Wants are unlimited
- C. Both A & B
- D. None

Answer: C) Both A & B

4. OPPORTUNITY COST IS ALSO KNOWN AS:

- A. Explicit cost
- B. Implicit cost
- C. Next best alternative forgone
- D. Fixed cost

Answer: C) Next best alternative forgone

5. THE PROBLEM OF CHOICE IS DIRECTLY LINKED TO:

A. Abundance

B. Scarcity

C. Efficiency

D. Growth

Answer: B) Scarcity

6. IN WHICH TYPE OF ECONOMY IS THE BASIC ECONOMIC PROBLEM SOLVED BY CENTRAL PLANNING?

- A. Capitalist
- B. Socialist
- C. Mixed
- D. Traditional

Answer: B) Socialist

7.ECONOMICS IS PRIMARILY CONCERNED WITH:

- A. Money
- B. Production only
- C. Scarcity and choice
- D. Markets only

Answer: C) Scarcity and choice

8. “FOR WHOM TO PRODUCE?” RELATES TO:

- A. Distribution of output
- B. Production technique
- C. Resource allocation
- D. Consumption pattern

Answer: A)Distribution of output

9. SCARCITY MEANS:

- A. Limited wants
- B. Unlimited resources
- C. Limited resources & unlimited wants
- D. None

Answer: C) Limited resources & unlimited wants

10 .CHOICE ARISES DUE TO:

- A. Full employment
- B. Scarcity of resources
- C. Unlimited resources
- D. Perfect competition

Answer:B) Scarcity of resources

11. WHICH COST REFLECTS SCARCITY?

- A. Sunk cost
- B. Opportunity cost
- C. Fixed cost
- D. Variable cost

Answer: B) Opportunity cost

12.EFFICIENCY IN RESOURCE USE IS NECESSARY BECAUSE:

- A. Resources are scarce
- B. Resources are unlimited
- C. Wants are limited
- D. Population is small

Answer: B) Resources are scarce

13. SCARCITY CAN BE REDUCED BY:

- A. Economic growth
- B. Reducing wants
- C. Efficient use of resources
- D. All of the above

Answer: All of the above

14. “GUNS VS BUTTER” MODEL REFERS TO:

- A. Inflation vs deflation
- B. Choice between capital and consumer goods
- C. Monopoly vs competition
- D. Demand vs supply

Answer: Choice between capital and consumer goods

15. WHICH OF THE FOLLOWING IS NOT A SCARCE RESOURCE?

- A. Land
- B. Labour
- C. Capital
- D. Human wants

Answer: Human wants



16. SCARCITY FORCES:

- A. Choice
- B. Unlimited production
- C. Inflation
- D. Surplus

Answer: A) Choice

17. “UNEMPLOYMENT IS 8%” IS:

- A. Positive statement
- B. Normative statement
- C. Assumption
- D. Policy

Answer: A) Positive statement

18. “GOVERNMENT SHOULD REDUCE POVERTY” IS:

- A. Positive
- B. Descriptive
- C. Normative
- D. Scientific

Answer:C) Normative

19. POSITIVE ECONOMICS DEALS WITH:

- A. Policy goals
- B. What ought to be
- C. Ethics
- D. What is

Answer: D) What is

20. NORMATIVE ECONOMICS IS BASED ON:

- A. Facts
- B. Models
- C. Statistics
- D. Value judgments

Answer: D) Value judgments

21. WHICH OF THE FOLLOWING IS TESTABLE?

- A. Positive statement
- B. Normative statement
- C. Both
- D. None

Answer: Positive statement

22. “HIGHER TAXES DISCOURAGE WORK” BELONGS TO:

- A. Normative
- B. Positive
- C. Value judgment
- D. Assumption

Answer: Positive

23. “GOVERNMENT OUGHT TO CONTROL INFLATION” BELONGS TO:

- A. Positive
- B. Normative
- C. Descriptive
- D. None

Answer: Normative

24. THE DISTINCTION BETWEEN POSITIVE AND NORMATIVE ECONOMICS WAS MADE POPULAR BY:

- A. Adam Smith
- B. Lionel Robbins
- C. Milton Friedman
- D. Alfred Marshall

Answer: Milton Friedman

25.DEDUCTIVE METHOD MOVES FROM:

- A. Particular to general
- B. Experiment to hypothesis
- C. General to particular
- D. None

Answer:C) General to particular

26.INDUCTIVE METHOD IS BASED ON:

- A. Logic
- B. Observation & experience
- C. Assumptions only
- D. Mathematics

Answer: B) Observation & experience

27. WHICH IS CALLED 'A PRIORI METHOD'?

- A. Inductive
- B. Historical
- C. Deductive
- D. Experimental

Answer:C) Deductive

28. WHICH METHOD USES STATISTICAL TOOLS?

- A. Deductive
- B. Inductive
- C. Both
- D. None

Answer: B) Inductive

29. DEDUCTIVE METHOD IS ALSO CALLED:

- A. Practical approach
- B. Historical approach
- C. Abstract approach
- D. Realistic approach

Answer: C) Abstract approach

30. WHICH METHOD STARTS WITH FACTS?

A. Deductive

B. Inductive

C. Both

D. None

Answer: B) Inductive

31. ECONOMISTS USE BOTH INDUCTIVE AND DEDUCTIVE METHODS. TRUE OR FALSE?

A. True

B. False

Answer: A) True

32.DEDUCTIVE METHOD IS CRITICIZED FOR:

- A. Being unrealistic
- B. Ignoring facts
- C. Excessive assumptions
- D.All of the above

Answer:All of the above

33. AN ECONOMIC MODEL IS A:

- A. Simplification of reality
- B. Exact copy of economy
- C. Theory without assumptions
- D. Government policy

Answer: A) Simplification of reality

34.MODELS ARE USED FOR:

- A. Prediction
- B. Explanation
- C. Policy analysis
- D.All of the above

Answer:All of the above

35. A MODEL ALWAYS INCLUDES:

- A. All real factors
- B. Simplifying assumptions
- C. Complete details
- D. Historical events

Answer: B)Simplifying assumptions

36 .THE CIRCULAR FLOW OF INCOME IS A:

- A. Static model
- B. Dynamic model
- C. Econometric model
- D. None

Answer: A) Static model

37.INPUT-OUTPUT ANALYSIS IS ASSOCIATED WITH:

- A. Keynes
- B. Leontief
- C. Marshall
- D. Ricardo

Answer: B) Leontief

38. WHICH MODEL EXPLAINS EQUILIBRIUM INCOME AND EMPLOYMENT?

- A. IS-LM
- B. Phillips Curve
- C. Solow Growth
- D. Laffer Curve

Answer:A) IS-LM

39.ECONOMETRIC MODELS COMBINE:

A.Theory + Mathematics + Statistics

B.Assumptions + Facts

C. Deduction + Induction

D. Growth + Development

Answer: A)Theory + Mathematics + Statistics

40. WHICH IS NOT A TYPE OF MODEL?

- A. Static
- B. Dynamic
- C. Mechanical
- D. Econometric

Answer: C) Mechanical

41. A GOOD ECONOMIC MODEL SHOULD BE:

- A. Simple
- B. Realistic
- C. Testable
- D. All of the above

Answer: All of the above

42 .EQUILIBRIUM MEANS:

A. Balance between forces

B. Surplus

C. Shortage

D. Instability

Answer: Balance between forces

43. MARKET EQUILIBRIUM IS WHERE:

- A. Demand $>$ Supply
- B. Demand $<$ Supply
- C. Demand = Supply
- D. Price fluctuates

Answer: C) Demand = Supply

44. DISEQUILIBRIUM MEANS:

- A. Balance
- B. Imbalance
- C. Stability
- D. Equalization

Answer: Imbalance

45. EXCESS SUPPLY LEADS TO:

- A. Price rise
- B. Price fall
- C. No change
- D. Disequilibrium removed

Answer: Price fall

46 .WHICH IS A TYPE OF DISEQUILIBRIUM?

- A. Balance of payments
- B. Unemployment
- C. Monetary
- D.All of the above

Answer:All of the above

47. IN STABLE EQUILIBRIUM, IF DISTURBED:

- A. Economy returns to equilibrium
- B. Economy drifts away
- C. Economy collapses
- D. None

Answer: Economy returns to equilibrium

48. UNEMPLOYMENT IS AN EXAMPLE OF:

- A. Equilibrium
- B. Disequilibrium
- C. Static model
- D. Positive economics

Answer: Disequilibrium

49. GENERAL EQUILIBRIUM REFERS TO:

- A. One market in balance
- B. All markets simultaneously in balance
- C. Disequilibrium
- D. Micro only

Answer: All markets simultaneously in balance

50. THE EQUILIBRIUM PRICE IS ALSO CALLED:

- A. Market price
- B. Clearing price
- C. Natural price
- D. All of the above

Answer: All of the above

THANK YOU